

**STAFF SUMMARY AND RECOMMENDATION  
West County Health Centers, Inc. (“West County”)**

**Second Amendment to Resolution Number HII-159**

**March 30, 2005**

**APPROVED HELP II LOAN AMOUNT: \$212,000**

**PURPOSE OF AMENDMENT:** West County requests approval of an alternate use of loan proceeds, from construction to acquisition. West County seeks to purchase a nearby office building, avoiding the need to pursue an expansion, which has been long-delayed in the permit review process. West County requests a three month time period to close this transaction.

The acquisition of this building would accomplish the same goal as the expansion project, namely the relocation of administrative staff, allowing for expanded clinical use of their existing facility. An existing West County facility, appraised at \$545,000 in October 2004, will be used as collateral.

Under this Amendment, if for some reason this purchase transaction does not close, West County would be permitted to pursue its clinic expansion, pursuant to the previously approved Resolution.

**BACKGROUND:** In February 2004, the Authority approved a \$193,000 HELP II loan for West County to construct a centralized support services facility and to convert vacated space to provide medical, counseling, and educational services. At the February 2005 Authority meeting, an amendment was approved to give West County three additional months to resolve its permit issues and increased the approved loan amount to \$212,000. During March 2005, an 1,800 square foot office building, located on the same block as its existing facility, was offered for sale for \$520,000.

**FINANCIAL UPDATE:** The projected financial picture of West County is substantially the same as described in the staff report presented to the Authority in February 2004.

Proforma debt service coverage, based on audited 2003 figures, is adequate at 2.23x. The total debt level will remain low, with a proforma debt to unrestricted net asset ratio of 0.18x.

Unaudited financial statements for 2004 indicate that West County continues to be profitable, highly liquid, and maintains a low level of debt.

See Page 3 and 4 for financial statements.

Below is an updated Sources/Uses of funds:

**Estimated Sources of Funds:**

HELP II Loan	\$212,000
Grant Funds	275,000
Equity	<u>131,000</u>
Total Sources	<u>\$613,000</u>

**Estimated Uses of Funds:**

Acquisition	\$520,000
Equipment	89,000
Financing Costs	<u>4,000</u>
Total Uses	<u>\$613,000</u>

**RECOMMENDATION:**

Staff recommends the Authority approve an amendment to HII-159, to permit acquisition of a facility, subject to a maximum loan to value of 95%, and to extend the Resolution expiration to June 30, 2005. All other conditions of HII-159 remain in place.

**West County Health Centers, Inc.**  
**Statement of Activities**  
**(Unrestricted)**

	<b>For the Year Ended December 31,</b>			
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>(unaudited)</b>			
<b>Revenues:</b>				
Patient fees, net	\$ 2,509,367	\$ 2,199,105	\$ 2,326,789	\$ 2,076,717
Cost Settlements	35,855	36,222	136,068	219,837
Contributions	31,151	17,353	16,318	55,202
Investment income	11,989	9,880	30,030	26,902
Other	13,565	8,930	20,233	41,644
Net assets released from restrictions	<u>1,843,730</u>	<u>2,139,489</u>	<u>1,951,198</u>	<u>1,217,246</u>
Total Revenue	4,445,657	4,410,979	4,480,636	3,637,548
<b>Expenses:</b>				
Salaries and benefits - Health care	2,861,476	2,677,133	2,333,095	1,762,663
Salaries and benefits - General & administrative	583,152	597,002	529,331	486,079
Medical supplies	122,803	197,218	125,125	93,265
Depreciation	142,846	142,025	102,003	96,977
Insurance	69,875	67,292	65,989	43,610
Repairs and maintenance	30,306	39,648	62,337	81,931
Utilities	25,832	47,228	38,678	32,751
Interest expense	16,215	16,491	18,046	18,550
Outside/contracted services	248,860	207,864	145,197	211,997
Bad debt expense	24,000	151,347	29,654	29,214
Other	<u>226,313</u>	<u>230,956</u>	<u>172,205</u>	<u>196,815</u>
Total Expenses	4,351,678	4,374,204	3,621,660	3,053,852
<b>Change in Unrestricted Net Assets</b>	<b>93,979</b>	<b>36,775</b>	<b>858,976</b>	<b>583,696</b>
Unrestricted Net Assets at Beginning of Year	<u>3,543,576</u>	<u>3,506,801</u>	<u>2,647,825</u>	<u>2,034,915</u>
Unrestricted Net Assets at End of Year	<u><u>\$ 3,637,555</u></u>	<u><u>\$ 3,543,576</u></u>	<u><u>\$ 3,506,801</u></u>	<u><u>\$ 2,618,611</u></u>

**West County Health Centers, Inc.**  
**Statement of Financial Position**

	<u>As of December 31</u>			
	<u>2004</u> (Unaudited)	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,408,097	\$ 1,290,881	\$ 976,667	\$ 1,029,549
Patient accounts receivable, net	494,365	587,114	540,979	296,526
Estimated settlements receivable	105,260	105,260	284,828	244,249
Grants Receivable - Federal	141,478	177,470	221,172	33,868
Grants Receivable - other	214,795	216,869	262,875	196,500
Prepaid assets	111,489	75,491	66,597	41,253
<b>Total Current Assets</b>	<u>2,475,484</u>	<u>2,453,085</u>	<u>2,353,118</u>	<u>1,841,945</u>
Depreciable assets, net	1,966,639	2,102,228	2,125,792	1,598,142
Land	216,123	216,123	216,123	216,123
Other assets	140,735	155,767	139,714	120,108
Construction in progress	107,006	58,531	-	20,856
<b>TOTAL ASSETS</b>	<u>\$ 4,905,987</u>	<u>\$ 4,985,734</u>	<u>\$ 4,834,747</u>	<u>\$ 3,797,174</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 22,216	\$ 52,200	\$ 61,782	\$ 37,740
Note payable - current	39,678	38,119	36,625	35,193
Deferred revenue	586,729	664,214	530,471	383,633
Accrued expenses	194,206	222,345	195,669	152,759
<b>Total Current Liabilities</b>	<u>842,829</u>	<u>976,878</u>	<u>824,547</u>	<u>609,325</u>
Long-Term Liabilities:				
Long term debt, net of current maturities	298,383	338,060	376,179	412,804
<b>TOTAL LIABILITIES</b>	1,141,212	1,314,938	1,200,726	1,022,129
Net Assets:				
Unrestricted Net Assets	3,637,555	3,543,576	3,506,801	2,647,825
Temporarily Restricted Net Assets	127,220	127,220	127,220	127,220
<b>TOTAL NET ASSETS</b>	<u>3,764,775</u>	<u>3,670,796</u>	<u>3,634,021</u>	<u>2,775,045</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,905,987</u>	<u>\$ 4,985,734</u>	<u>\$ 4,834,747</u>	<u>\$ 3,797,174</u>

**Financial Ratios:**

	Proforma <sup>(a)</sup>			
	<u>FYE December 2003</u>			
Debt Service Coverage (x)	2.23 <sup>(b)</sup>	3.23	18.39	13.91
Debt/Unrestricted Net Assets (x)	0.18 <sup>(b)</sup>	0.11	0.12	0.17
Margin (%)		0.83%	19.17%	16.85%
Current Ratio (x)		2.51	2.85	3.02

<sup>(a)</sup> Recalculates December 2003 audited results to include the impact of this proposed HELP II loan.

<sup>(b)</sup> Using 2004 unaudited results, DSC would be 3.29x and Debt/Unrestricted Net Assets would be 0.17x.